Alberta's International Representation (Foreign Office) Review

January 13, 2000

Introduction

The global economic environment is constantly changing. This shifting milieu is evidenced in the emergence of large trading blocs, the establishment of multi-lateral trade agreements, regional economic fluctuations, and increased market competition for investment attraction and for Alberta's exporting businesses.

To remain economically competitive, Alberta must be engaged internationally and continually seek out global opportunities. Each of Alberta's international core businesses—marketing trade, investment and tourism; building international relations; and removing trade and investment barriers - have a number of tools to increase the effectiveness and efficiency of our international activities.

Alberta's international network and its foreign offices are one of the tools at hand. They are an integral part of ***Alberta's International Marketing Strategy***.

In July 1998, Alberta Economic Development (AED) contracted KPMG to review the role of government in international marketing vis-à-vis the needs of Alberta's exporting community and to determine through private sector consultation what services should be offered. In the review, Alberta businesses and various stakeholders stated that Alberta's foreign offices are often key to establishing entry to, and acquiring contacts in, a foreign market and that they appreciate the high level of service the offices provide.

Given the importance of Alberta's international presence and the shifting trends of the global economy, ongoing review of Alberta's international network is necessary. The purpose of this report is to assess and provide recommendations for Alberta's international representation needs.

Background

Alberta representation in key markets has been a major element of the province's international strategy over the past three decades. In early 1999, at the request of the Deputy Ministers, several provincial departments initiated a project to evaluate Alberta's international representation network. The participating departments were Agriculture, Food and Rural Development (AAFRD)*, AED, International and Intergovernmental Relations (IIR), Learning, and Resource Development. Their objectives were to

1. assess the strategic importance of existing representation (e.g., foreign offices, co-locations, and local agents);
2. evaluate prospective locations for new international representation;
3. establish key roles and responsibilities, including focus and levels of services and activities for existing and prospective locations; and
4. assess the resources required, including the type of representation, staffing levels and budget.

Each department evaluated its international representation priorities in terms of specific markets, levels of representation, and services that might be provided. Through broad consultation, the review incorporates not only the service needs of provincial government departments, but also reflects those of the private sector and other department stakeholders.

The result is an updated **International Representation Strategy** for Alberta's key global markets. It is highlighted by the conclusion that Alberta's current representation mix is increasingly less advantageous. The emergence of a variety of international opportunities and strategic interests for Alberta in other regions of the world has increased the need for a more balanced global presence.

International Representation Review Process

In early 1999, Alberta Economic Development (AED) developed a process to facilitate the international representation review. It involved the following steps:

- establish criteria for assessing locations
- evaluate strategic value and effectiveness of existing locations
- select and analyze potential locations
- determine preferred locations
- consult with stakeholders, e.g., private sector associations, other levels of government
- determine service focus and range for locations

---

* As of December 1999, AED assumed responsibility for all of AAFRD's international representation resources.

- determine level of Alberta representation and resources

Criteria

The context in which this process evolved included, establishing the province's current level and areas of international representation, countries and regions of trade and investment importance to Alberta and areas of strategic political value.

Specific criteria narrowed the focus of the review. These criteria included:

- priority market rankings based on industry and consumer exports, growth prospects, financing availability, market openness and market size;
- value of total Alberta exports to the country or region;
- level of existing and/or potential investment and business immigration;
- private sector interest and activity;
- event or promotional opportunities, including potential for Premier-led missions;
- regional base capabilities (ability to service trade with neighbouring regions);
- political and cultural relationship with Canada and/or Alberta;
- trade policy and/or trade barrier implications; and
- impact of government involvement.

Representation

Different types of representation were reviewed, including:

- Foreign Offices (stand-alone and/or co-location agreements with Canadian Embassies and Consulates),
- locally-hired Alberta representatives, and
- specific departmental or sectoral focus*.

Other forms of representation, or interaction, were also considered in servicing Alberta's international markets, including twinning relationships, governance projects, honorary Alberta representatives, and Alberta-based trade officers.

Roles/Responsibilities

Various key functions and responsibilities were reviewed, including:

Market intelligence—providing market data and/or business information for trade and investment strategies

Partnerships, Networks, Alliances—facilitating networks, contacts and market access for Alberta businesses; and identifying potential strategic alliances and foreign joint ventures for trade and investment

---

* Tourism representatives are not included in this review as they are undergoing a separate review process.

Investment and Business Immigration— promote, encourage and facilitate foreign investment and immigration of experienced business persons into the province.

Promotion and Communication activities—facilitating incoming and outgoing trade missions, trade shows and marketing Alberta as a tourism destination

Cultural and/or business environment—assisting Alberta businesses in understanding cultural and business characteristics of the marketplace

Education and Technology exchanges— facilitating business, scientific, technology and educational linkages to improve competitiveness and develop export opportunities

Government-to-government contact—building intergovernmental relations with key decision-makers to support our trade and investment goals

These functions provided by our international representation resources, in partnership with Alberta based staff, assist in the development of the accurate information on their respective markets within an appropriate time frame to impact the investment and export decisions of 1.) Alberta enterprises and 2.) prospective new Alberta investors.

Levels of Service

The range of service possibilities includes full, mid-level, and specific sectoral service.

Full Service

This is the highest level of service provided by an Alberta foreign office and offers the greatest breadth of services and sectoral focus. This level of service has the resources to be proactive in the market and can reallocate resources according to immediate and long term priorities. The staff complement ranges from seven to ten.

Mid-Level Service

Mid-level service provided by Alberta foreign offices provides the same span of client services as a full service office but with more limited resources. Given less staff, the depth of services and sectoral focus relative to the full service office is reduced. This level of service is frequently more reactive than proactive. Staff levels range from three to six.

Sectoral Service

Sectoral service commonly operates on a contractual basis with a single individual and a focus on one or two specific sectors. In general, this level of service operates on a reactive basis.

Geographic Markets Considered

Clearly, all markets throughout the world have potential for Alberta private sector exports and investment. In some markets, however, actions by the Alberta government will yield greater benefits.

United States

The United Sates is and will continue to be Alberta's most important investment and trading partner. Currently, it receives 80% of Alberta's exports and accounts for two-thirds of Foreign Direct Investment (FDI). Considering that 25% of our GDP depends on the export of goods and services to that market, Alberta must maintain and expand access to the US.

Asia Pacific

The Asia Pacific region receives about 60% of the remaining 20% of Alberta exports and is, therefore, Alberta's second largest export region. Despite recent economic problems, this region will likely remain an important market for Alberta over the next decade. Key markets of focus include Japan, China, Hong Kong, South Korea, and Taiwan.

European Union

The emergence of the European Union has created some opportunities for Alberta. Although emphasis has not been placed on trade with Europe during the 1990s, this is still an important market with broad opportunities for growth, especially with respect to foreign investment into Alberta.

Emerging Markets

Mexico has emerged as a major market for Alberta and has received focused attention over the last two years. Other emerging markets that were assessed include Southeast Asia, South America, India, the Caspian Region, and the Persian Gulf.

International Representation Profiles

The following are profiles of each of the current foreign office locations. Where there is an existing office and where maintenance is recommended, a brief overview of current office roles and effectiveness is included.

United States

EXISTING REPRESENTATION	One local agent based in Portland, Oregon
	Staff: 1 posted
PROPOSED REPRESENTATION	Maintain existing representation
LEVEL OF SERVICE	Sectoral Service (agriculture)

RATIONALE

NAFTA has provided a positive trading environment for Alberta exporters and has made it much easier for Albertans (and Canadians) to trade with the United States. The similarity of language, business practices, and culture make the United States extremely accessible for Albertans. The increase of Alberta exports to United States between 1988 to 1997 amounted to $20.32 billion or 156% across the decade.

Hundreds of memoranda of understanding, agreements, and treaties underpin Canadian-US foreign and commercial relations. Also to our benefit is the extensive Canadian federal government consular–embassy network in the US.

The participating departments agree that:

(1) the US can be most effectively served in international marketing directly from Alberta; and

(2) it is best served on a sectoral rather than national basis.

Alberta's unique trade relationship with several US states has resulted in close coordination and joint promotion activity in several sectors. Efforts are being made to encourage and foster the development of strategic alliances between companies on both sides of the border.

Notwithstanding the existing trade relationship between the two countries, greater access to the US market remains the most important factor in improving Alberta's export performance. Other than the office in Portland, Oregon, no other Alberta representation is being considered at this time as easy transportation links, similar culture and a network of consulates provide Alberta with ready market access.

For future consideration, AED is currently reviewing the potential of retaining a local agent in Washington, D.C. The agent's duties might entail collection of intelligence on procurement and international development opportunities for Alberta exports and the establishment of relationships with various International Financial Institutes (e.g., World Bank, Inter-American Bank for Reconstruction and Development). The agent could also be used to promote Alberta's trade policy interests in the US capital.

OFFICE ROLE & EFFECTIVENESS

Alberta's sector representative in Portland, Oregon works to enhance trade and investment relations and facilitates issue resolution through senior level missions, media relations, information dissemination and the transmission of market

intelligence. The office also supports in-region broker profiling to assist Alberta companies in finding representation in the market place.

The representative was a principal organizer of the Premier's mission to the Pacific Northwest USA, in early 1999, and the highly successful Montana Alberta Agriculture Opportunities Conference. This meeting of industry leaders was co-sponsored by Premier Klein and Governor Racicot and led to specific recommendations for increased cross border commercial activity.

DEPARTMENTAL SUPPORT

AAFRD and IIR support sectoral service provisions in the US.

BACKGROUND INFORMATION

Alberta Trade & Investment

Total exports to US (1998)	$25.2 billion (rank: 1st)
Manufactured Exports (1995-98 average)	$7.8 billion (rank: 1st)
1998 Foreign Direct Investment (FDI) into Canada from US	$147.3 billion

US Market Size

1998 Nominal GDP	$8,179 billion
Population (1998 est.)	270,311,756
GDP/Capita (1997 est.)	US$30,200

Japan

EXISTING REPRESENTATION	Separate office within Canadian Embassy in Tokyo Staff: 1 Posted Albertan 9 locally engaged
PROPOSED REPRESENTATION	Maintain existing representation
LEVEL OF SERVICE	Full Service

RATIONALE

Japan is Alberta's main overseas economic partner accounting for 24% of non-US trade in 1998. Japan is also one of Alberta's largest offshore tourism markets. As the world's second largest economy, Japan continues to offer a variety of opportunities for Alberta.

OFFICE ROLE & EFFECTIVENESS

The Alberta Japan Office (AJO) is focused on providing market intelligence and marketplace services to Alberta businesses seeking to enter the Japanese market, establish business relationships with Japanese companies, or expand their trade opportunities in Japan. Among other responsibilities, the AJO's four commercial officers and support staff aid in the coordination of Alberta government and business visits to Japan and regularly send buyers' missions to Alberta. By identifying new growth areas and market entry strategies, and providing key contacts and trade show information to Alberta businesses, the AJO contributes invaluably to Alberta's marketing strategy. In addition to trade-related activities, the AJO is also involved in investment attraction as well as promoting Alberta tourism and educational opportunities.

In 1999, the AJO held several regional seminars throughout Japan in order to promote specific sectors (housing and building products and agri-food), as well as general trade and investment opportunities in Alberta with over 360 Japanese companies participating. Over the past year, the AJO has actively assisted 167 incoming Alberta missions to Japan, 130 Japanese missions to Alberta, and responded to over 1,000 inquiries. The office also had a primary role in coordinating and facilitating Premier Klein's program during the Team Canada mission to Japan in September 1999.

As a result of AJO's support, a $4 million housing construction project began in 1999, with 75% of all building material coming from Alberta. The office also assisted in the completion of several other agri-food and building products agreements and projects in the past year.

DEPARTMENTAL SUPPORT

AAFRD, AED, IIR, Learning, and Resource Development have all indicated that the office in Japan is a priority for Alberta's international representation.

BACKGROUND INFORMATION

Alberta and Japan have a very close bilateral relationship. The Alberta Government established a trade office in Tokyo in 1970. There are 27 linkages and cooperation agreements between post-secondary institutions in Alberta and Japan. A formal twinning was signed between Alberta and the Japanese province of Hokkaido in 1980. Nine Alberta municipalities are twinned with Hokkaido counterparts. A Japanese consulate was established in Edmonton in 1972. There have been several Ministerial and Premier led missions to Japan over the past decade.

Alberta Trade & Investment

Total exports to Japan (1998)	$1.3 billion (rank: 2nd)
Manufactured Exports (1995-98 average)	$792.7 million (rank: 2nd)
1997 FDI into Canada from Japan	$7.1 billion

Japan Market Size

1998 Nominal GDP	US$3,797.2 billion
Population (1998 est.)	125,931,533
GDP/Capita (1997 est.)	US$24,500

China

EXISTING REPRESENTATION	Beijing—newly signed co-location with the Canadian Embassy; trade office headed by Alberta government official Staff: 1 posted* CNPC-Alberta Petroleum Center in Beijing (including 5 staff).
PROPOSED REPRESENTATION	Continue to develop Beijing co-location Staff: 2 posted 5 locally engaged *Maintain existing CNPC agreement and representation.*
LEVEL OF SERVICE	Full Service

RATIONALE

China is Alberta's 3rd largest trading partner. The 1994-1997 average total exports from Alberta to China was $537.9 million. It has a huge market potential for the province (largest population base in the world), and a large private sector interest (553 Alberta firms active or interested in the market).

Since 1981, the province of Alberta and the cities of Calgary and Edmonton have developed excellent political relations with China. China's new Consulate in Calgary is expected to further solidify relationships conducive to trade development.

Premier Klein and various ministers have visited China several times over the past few years and as recently as September 1999. A 90-member Heilongjiang trade and investment mission visited Edmonton in October 1997.

---

* As of December 1999, the posted agricultural sector representative has been appointed and is undergoing security clearance.

OFFICE ROLE & EFFECTIVENESS

The role of Alberta office in Beijing will be to provide market intelligence and services to Alberta businesses seeking to enter the Chinese market, establish business relationships with Chinese companies, or expand their trade opportunities in China.

Insufficient time has elapsed to report on the effectiveness of the Alberta Office in Beijing as it has been recently established (mid-1999) and is not yet fully staffed.

DEPARTMENTAL SUPPORT

AAFRD, AED, IIR, Learning, and Resource Development are supportive of an expanded Alberta presence in China.

BACKGROUND INFORMATION

Alberta Trade

Total exports to China (1998)	$392.4 million (rank: 4th)
Manufactured Exports 1995-1998 average	$243.0 million (rank: 4th)

China Market Size

1998 Nominal GDP	US$960 billion
Population (1998 est.)	1,236,914,658
GDP/Capita (1997 est.)	US$3,460

Hong Kong

EXISTING REPRESENTATION	Stand-alone Office Staff: 1 Posted Albertan 3 Locally Engaged
PROPOSED REPRESENTATION	Reposition focus to serve southern China (Shanghai) and Southeast Asia regions. Maintain existing location and level of representation Staff: 1 Posted Albertan 3 Locally Engaged
LEVEL OF SERVICE	Mid-Level Service

RATIONALE

Mainland China has become a major strategic export market for Alberta, and Hong Kong has traditionally served as its gateway. The Alberta government's representation in mainland China, however, has recently expanded through the Canadian embassy co-location agreement and the CNPC–Alberta Petroleum Center.

As a result, Hong Kong's most notable strategic value for Alberta lies less in its export promotion and more in its potential for investment attraction. Its close proximity to emerging markets in southern China and Southeast Asia is also advantageous. Therefore, the existing focus of the Hong Kong office needs to be redefined to enable Alberta to direct more attention to investment attraction and the aforesaid regions, where significant emerging market potential lies.

OFFICE ROLE & EFFECTIVENESS

The Hong Kong office is active in assisting Alberta companies with market information, export counselling, and establishing joint ventures. In the past year the Hong Kong offices assisted over 120 Alberta visitors and 60 Alberta companies in joint venture/agent and distributor matches. The office has been active in promoting Alberta's expertise in high-tech and environmental technology within southern China, and has organized tailor-made programs in Alberta for potential Hong Kong investors. Through the Hong Kong office, the Alberta Advantage was recently well-profiled in the first China Hi-Tech fair in Shenzhen and the China Environmental Technology Exhibition in Guangzhou. As well, specific business opportunities and market intelligence is acquired and posted on the Alberta Hong Kong website.

The office also provides Alberta market and tourist information to Hong Kong firms and individuals. Thousands of Hong Kong students, primarily secondary and post-secondary, come to Alberta for education and English language training. Hong Kong students contact the office regularly regarding study opportunities in Alberta.

DEPARTMENTAL SUPPORT

AED, IIR, and Learning support some level of representation in Hong Kong. There is a consensus, however, that the mandate of the office should be reassessed in light of other business opportunities elsewhere in the region.

BACKGROUND INFORMATION

Alberta's office in Hong Kong was established in 1980 and originally mandated to promote the province's interests in Hong Kong, China, and other Southeast Asian economies.

Alberta Trade & Investment

Total exports to Hong Kong (1998)	$90 million (rank: 14th)
Manufactured Exports (1995-98 average)	$80.2 million (rank: 13th)
1998 FDI into Canada from Hong Kong	$3.4 billion

Hong Kong Market Size

1998 Nominal GDP	US$166 billion
Population (1998 est.)	6,706,965
GDP/Capita (1997 est.)	US$26,800

South Korea

EXISTING REPRESENTATION	A co-location agreement with the Canadian Embassy in Seoul Staff: 1 posted Albertan (Director) 2 locally engaged staff (commercial officer and administrative support)
PROPOSED REPRESENTATION	Maintain existing co-location and existing staff: 1 posted Director 2 locally engaged
LEVEL OF SERVICE	Mid-Level

RATIONALE

South Korea and Alberta have developed a strong bilateral relationship. Since 1974, Alberta has maintained a strategic relationship with the province of Kangwon, Alberta's Korean sister province. South Korea has become one of the largest economies in the world and a consistent top export market for Alberta. In 1998, Korea was Alberta's third largest export market.

OFFICE ROLE & EFFECTIVENESS

The South Korea office has been instrumental in getting several high-level Korean business missions to visit Alberta. In the past year the office has facilitated 31 business, educational and governmental missions from Alberta to Korea, and 7 missions from Korea to Alberta.

The office provides information and services relating to business immigration, tourism, and market opportunities, as well as providing intelligence to Alberta businesses on Korean market opportunities. Specific investment promotion projects include work in the energy, agriculture, and construction sectors. As an example, the office recently aided in the conclusion of two business contracts in the home construction and mining sectors.

The office has also played a major role in promoting the province through participation in the Kangwon International Travel Expo '99 and assisting in the production of 6 documentary segments on Alberta for Korean television.

Another role includes promoting Alberta as a place of study through the Canadian Education Fair, individual and group consultations and seminars. Alumni associations of the Alberta universities in Korea have proved to be highly effective in this regard.

The office not only promotes Alberta exports, tourism, investment and educational opportunities, but it also works with IIR on projects in Kangwon.

DEPARTMENTAL SUPPORT

AED, IIR, Learning are supportive of maintaining an Alberta presence in South Korea.

BACKGROUND INFORMATION

The trade office in Seoul was established in 1988 in response to growing market opportunities and the need to increase the level of awareness of Alberta and Alberta companies. In November 1993, Alberta signed an MOU with our federal department of External Affairs and International Trade. This arrangement resulted in the relocation of the Alberta Office into the Canadian Embassy in 1994.

Alberta Trade & Investment

Total exports to South Korea (1998)	$414.8 million (rank: 3rd)
Manufactured Exports (1995-98 average):	$318.5 million (rank: 3rd)
1998 FDI into Canada from South Korea:	$165 million

South Korea Market Size

1998 Nominal GDP	US$295.3 billion
Population (1998 est.)	46,416,796
GDP/Capita (1997 est.)	US$13,700

Taiwan

EXISTING REPRESENTATION	A co-location agreement with the Canadian Trade Office of Taipei Staff: 1 Trade Director (currently vacant) 1 locally engaged administrative support
PROPOSED REPRESENTATION	Reposition mandate to focus primarily on agricultural and investment interests. Maintain existing location. Staff: Maintain existing configuration—2 locally engaged staff
LEVEL OF SERVICE	Sectoral

RATIONALE

Like South Korea, Taiwan has been an important trading partner with Alberta for a number of years. The large bulk of Alberta exports shipped to Taiwan, however, are commodity or primary-resource products, rather than manufactured industrial and consumer goods. With limited export growth potential due to Taiwan's relatively

small population of 21.6 million, the real value of Taiwan for Alberta will increasingly be through the promotion of Taiwanese investment in the province.

OFFICE ROLE & EFFECTIVENESS

While the staff has not been at its full complement, the existing office appears to be underutilized. The Alberta office's role is to identify new trade and investment opportunities for Alberta and to provide ongoing market intelligence. In the past year the Taiwan office has referred several inquiries related to tourism, trade and education opportunities in Alberta to the appropriate personnel within the Alberta Government. Investment attraction potential within this market is significant. A full staff is required in order to demonstrate the capacity of this market.

DEPARTMENTAL SUPPORT

AAFRD, AED, IIR, and Learning are supportive of maintaining an Alberta presence in Taiwan. The focus and range of services provided, however, requires realignment. AAFRD regards the Taiwanese market as good potential for Alberta's agriculture and agri-food products.

BACKGROUND INFORMATION

Taiwan is a key business and financial centre in the Asia Pacific region and is an important trading partner with Alberta, importing a number of agricultural and resource-based products from the province. Along with Hong Kong and Korea, Taiwan continues to be a primary market for business immigration to Alberta. Also, Canada is one of Taiwan's largest export markets.

Canada does not have diplomatic relations with Taiwan but with the support of the Canadian government, the Canadian Chamber of Commerce opened the Canadian Trade Office in 1986 to encourage, facilitate, and increase two-way trade, investment, academic, and cultural links. In 1993, Alberta's Taipei office was established through a Memorandum of Understanding with the Canadian Chamber of Commerce. The MOU has since been assigned to the Canadian Trade Office in Taipei (CTOT).

Alberta Trade & Investment

Total exports to Taiwan (1998)	$209.8 million (rank: 7th)
Manufactured Exports (1995-98 average)	$219.5 million (rank: 5th)
1998 FDI into Canada from Taiwan	$108 million

Taiwan Market Size

1998 Nominal GDP	US$294 billion
Population (July 1998 est.)	21,908,135
GDP/Capita (1997 est.)	US$14,200

Mexico

EXISTING REPRESENTATION	1 Local Agent based in Guadalajara (Sectoral representative for Agriculture)
PROPOSED REPRESENTATION:	Establish stand-alone Foreign Office in Mexico City*
	Staff: 1 posted Managing Director 3 locally engaged staff
LEVEL OF SERVICE	Mid-Level Service

RATIONALE

Alberta's total exports to Mexico in 1998 equaled $271 million, making it our 5th largest trading partner. Since NAFTA entered into force on 1 January 1994, Alberta's exports to Mexico have been rapidly rising. Mexico is a good-sized market with a nominal GDP estimated at US$417 billion, and a population of nearly 99 million. Alberta exports to Mexico will likely continue their upward trend.

Mexico has become the most important trading partner for Alberta in Latin America. Since 1994, the Alberta government, AAFRD, the cities of Edmonton and Calgary, the Edmonton and Calgary Chambers of Commerce, and several Alberta academic institutions have signed economic cooperation agreements with several Mexican states and academic institutions. Alberta recently hosted the successful Canada-Mexico Energy Symposium 12-14 April 1999. In January 1999, the Premier led a mission to Guadalajara and Mexico City. As well in 1999, Alberta and the Mexican State of Jalisco signed a Memorandum Of Understanding and five Alberta Government Departments now have Letters of Understanding with their Jalisco counterparts. The primary results of these agreements and trade missions has been increased economic cooperation and expanded trade and investment ties between Alberta and Mexico.

Strategically, Mexico can serve as an entry point to the rest of Latin America. In addition to NAFTA, Mexico has signed bilateral and trilateral trade agreements with several Latin American countries, and is presently negotiating an agreement with Mercosur (involving Argentina, Uruguay, Paraguay and Brazil). While Alberta has bilateral agreements with a number of Latin American countries, the province could use Mexico as a stronger focal point from which to increase access to other markets in the region.

Moreover, Mexico recently signed a free trade agreement with the European Union which means Alberta will have to be more aggressive and visible in Mexico to maintain and improve market share due to increase European competition.

Mexico's economic growth in 1998 was 4.6%, with some of the highest levels of growth experienced in the manufacturing and transportation-communications sectors.

---

* Establishment of a foreign office in Mexico City would entail the discontinuation of the Guadalajara representation in order to rationalize resources. However, the Guadalajara region could be serviced if and when required through individual project specific contracts.

Growth is expected to moderate due to reductions in public spending, lower commodity prices (oil), and the weakening peso. Recovery is expected, however, and an estimated GDP growth rate of 4.5% is forecast for 2000. Import growth is also expected to increase by 11.8% in 2000. The double-digit growth in imports opens up increased levels of opportunity to Alberta exporters.

RECOMMENDATION

Given that there is only moderate representation within Mexico (outside of one representative in Guadalajara), coupled with the rapid economic growth of the region, and potential export opportunities for Alberta exporters under NAFTA, the participating departments recommend that an Alberta foreign office be established in Mexico City. The establishment of a foreign office will serve as an effective level of representation not only for the Mexican market, but for the Latin American region as well.

Coordination is key to the effective use of budgetary elements and human resources. The various services and activities provided by Alberta government departments need to achieve maximum marketing impact and promotional awareness for Alberta products and services in the region.

OFFICE ROLE & EFFECTIVENESS

The agriculture sectoral representative in Guadalajara provides ongoing market intelligence and network contacts designed to expand trade between Alberta and the state of Jalisco. In the past year, the representative was instrumental in organizing and executing the Premier's program during his mission to Mexico and the subsequent visit of the Governor of Jalisco to Alberta.

DEPARTMENTAL SUPPORT

AED and AAFRD have both identified Mexico as a key priority country in which to establish provincial representation. All five departments involved—AAFRD, AED, IIR, Learning, and Resource Development—strongly support the establishment of a stand-alone Alberta foreign office in Mexico City.

BACKGROUND INFORMATION

Alberta Trade

Total exports to Mexico (1998)	$271.4 million (rank: 5th)
Manufactured Exports (1995-98 average)	$79.8 million (rank: 14th)

Mexico Market Size

1998 Nominal GDP	US$417 billion
Population (1998 est.)	98,552,000
GDP/Capita (1997 est.)	US$7,700

European Union

EXISTING REPRESENTATION	Part-time AED consultant based in Frankfurt, Germany
PROPOSED REPRESENTATION	a) London, United Kingdom Staff: 1 locally engaged representative. and/or b) Germany Staff: 1 locally engaged representative
LEVEL OF SERVICE	Sectoral Service

RATIONALE

AED ranks the **United Kingdom** as a high priority market in terms of export and investment attraction opportunities. Value-added products such as telecommunication equipment, as well as oil and gas field equipment dominate Alberta's exports to the UK. As of February 1999, the number of Alberta firms actively exporting to the United Kingdom totaled 345.

The UK continues to be the largest overseas source of FDI in Canada and the second largest international investor after the US. The UK has no significant trade or investment barriers, or restrictions on the transfer of capital. A shared cultural and linguistic background makes the UK a prime market for Alberta's efforts to attract FDI. There is, however, a noticeable lack of awareness among businesses within the UK and the European Union of Alberta, and even Canada in general. This lack of awareness inhibits the province from taking full advantage of emerging business opportunities in the EU.

Alberta's relationship with the UK has diminished since the Alberta trade office in London closed in 1996. However in June, 1999 the British Minister of State for Trade and Industry announced the opening of a Trade Office in Calgary and a reciprocal arrangement is being discussed.

Currently, there are several twinning relationships between UK and Alberta educational institutions. In addition, in 1998 the Intergovernmental and Aboriginal Affairs (IAA) Minister led a mission to the UK.

The number of UK tourists visiting Alberta has grown sharply in recent years, and the UK is now Alberta's largest offshore tourism market.

As the third largest economy in the world, **Germany** is the power centre of the European Union. Moreover, the introduction of the Euro currency and the elimination of market barriers have solidified Germany as the EU business and financial hub. Germany ranks highly as an export market for Alberta industrial and consumer goods products. The German buyer is accustomed to working with local agents, who represent foreign suppliers. Access to key market intelligence and

aggressive investment promotion activities are vital for Alberta's success in this market. Key events such as Hanover 2000 would be well served by Alberta representation in Germany.

Germans are the second largest ethnic group in Alberta. A number of Alberta-Germany educational twinnings currently exist, including MOUs with the University of Alberta and various German universities.

RECOMMENDATION

Due to the strong economic links and similar business and cultural ties between Canada, the UK, and Germany, as well as abundant business opportunities within the EU, the participating departments recommend that the Alberta government, through AED, maintain a presence in the European Union with local agents. Through a modest re-entry level strategy these agents, based in London and/or Germany, would focus on gathering market intelligence and promoting investment for the Alberta private sector.

OFFICE ROLE & EFFECTIVENESS

AED engages a local representative in Frankfurt, Germany on a part-time basis. The representative acquires and disseminates market intelligence, distributes a monthly newsletter to German businesses on opportunities in Alberta and responds to requests from Alberta businesses based in Germany.

DEPARTMENTAL SUPPORT

AED, IIR, and Learning favour some form of provincial representation in the European Union.

BACKGROUND INFORMATION

Alberta Trade and Investment in UK

1998 Total Exports	$232.7 million (rank: 6th)
Manufactured Exports (1995-98 average)	$150.0 million (rank: 7th)

UK Market Size

1998 Nominal GDP	US$1,362 billion
Population (1998 est.)	58,970,119
GDP/Capita (1997 est.)	US$21,200

Alberta Trade and Investment in Germany

1998 Total Exports	$162.3 million (rank: 9th)
Manufactured Exports (1995-98 average)	$158.5 million (rank: 6th)

Germany Market Size

1997 Nominal GDP	US$2,107 billion
Population (1998 est.)	82,079,454
GDP/Capita (1997 est.)	US$20,800

Other Important Markets and Regions

The above analyses have focused on those markets and locations of common interest to the departments involved. In addition, the group evaluated a number of markets that each department identified as having potential for some form of international representation. These tended to have department-specific relevance and were not of sufficient value across government departments to warrant a full evaluation.

International Representation Review Findings

The Review Committee determined that Alberta's offices in Tokyo and Beijing are the highest priority for all departments. As well, departments still value the current level of representation in Taiwan, Hong Kong, South Korea, and the CNPC–Alberta Petroleum Center.

Moreover, existing international sector-specific representatives from AAFRD and AED were deemed to be of value. Maintenance of this representative function is recommended.

With respect to new areas of representation outside of Asia, there was broad agreement among the departments for the establishment of a new foreign office in Mexico. The need for an upgraded Alberta presence in Europe has also been highlighted in the review, particularly from a trade and investment viewpoint. An initial proposal to retain a representative in the United Kingdom and/or Germany, for gathering market intelligence on business opportunities for Albertans was seen to be cost effective and to serve as a preliminary approach toward expanding the province's presence within the burgeoning European Union market.

Budgets for both the current mix of representation and proposed changes based on the review are included in Appendix 1.

Conclusion

There is widespread support, both in the public and private sector, for Alberta's current level of international representation. The emergence of a variety of international opportunities and strategic interests for Alberta in other regions of the world, however, has highlighted the need for the province to establish a more balanced global presence.

Each department must continue to assess its own international objectives and tailor its representation to meet these objectives. Therefore, the range of external international representatives may broaden depending upon the program needs of each department. The ADM International Marketing Committee will continue to be the cross-government forum for identifying, recommending, and coordinating any expansion of the international network.

Alberta Economic Development will implement a comprehensive performance measurement framework in the 2000/01 fiscal year to improve performance measures. This framework will require developing performance measurement processes for major projects and programs at their planning stage, monitoring and reporting on their progress and, if appropriate, concluding with a comprehensive evaluation. Information will be provided on the effectiveness of the Department's international representation.

Each department will also be responsible for meeting market demand with domestic staff. Trade, investment, and intergovernmental officers based in Alberta will continue to provide a wide range of services to a number of geo-markets of strategic importance to Alberta.

Appendix 1

International Representation Review
Budget for Current Situation

Location	AED	Alberta Infrastructure	Total
Japan (Tokyo)	$1,785,000	$646,472	$2,431,472
China			
- China Alberta Petroleum Centre (CAPC)	850,000	0	850,000
- Beijing	750,000	291,750	1,041,750
- Harbin	37,000	0	37,000
- Hong Kong	650,000	395,087	1,045,087
Mexico			
- Mexico City	0	0	0
- Guadalajara	60,000	0	60,000
Korea (Seoul)	450,000	325,988	775,988
Taiwan (Taipei)	170,000	39,512	209,512
European Union[1]	0	0	0
United States			
- Portland, Oregon	200,000	0	200,000
Germany (Frankfurt) [2]	36,000	0	36,000
TOTAL	**$4,988,000**	**$1,698,809**	**$6,686,809**

(1) Infrastructure incurs costs of $432,000 relating to lease costs in old Alberta House in London, UK.

(2) Includes $36,000 contract with Canadian-German consulting in Frankfurt for facilitation of German company strategic alliances and international investment for Alberta Companies (contract is part of International Marketing budget).

International Representation Review
Estimated Cost of International Representation

Location	AED	Alberta Infrastructure	Total
Japan (Tokyo)	$1,785,000	$646,472	$2,431,472
China			
- China Alberta Petroleum Centre (CAPC)	850,000	0	850,000
- Beijing	750,000	291,750	1,041,750
- Harbin	37,000	0	37,000
- Hong Kong	650,000	395,087	1,045,087
Mexico			
- Mexico City	610,000	0	610,000
Korea (Seoul)	450,000	325,988	775,988
Taiwan (Taipei)	170,000	39,512	209,512
European Union[1]	236,000	0	236,000
United States			
- Portland, Oregon	200,000	0	200,000
TOTAL	**$5,738,000**	**$1,698,809**	**$7,436,809**

(1) Infrastructure incurs costs of $432,000 relating to lease costs in old Alberta House in London, UK. Includes $36,000 contract with Canadian-German consulting in Frankfurt for facilitation of German company strategic alliances and international investment for Alberta Companies (contract is part of International Marketing budget).